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SUBJECT: LIBYA'S MINISTRY OF ECONOMY AND TRADE WELCOMES COOPERATION
WITH U.S.

¶1. (U) Summary: In a meeting with visiting NEA/MAG Director Stephanie Williams, Under Secretary for Economy, Trade and Investment Taher Sarkaz emphasized the importance of U.S.-Libya cooperation and outlined steps his ministry taking to facilitate trade and investment. Libya is keenly interested in technical economic assistance, particularly in the area of small- and medium-sized business development, which the GOL views as a key potential area for future growth. Sarkaz commented favorably on the U.S.-Libya Trade and Investment Framework Agreement (TIFA) currently being negotiated, and expected it to be finalized soon. Williams highlighted the importance of capitalizing on the new period of bilateral cooperation ushered in by implementation of the U.S.-Libya claims agreement and underscored U.S. interest in pursuing further cooperation on economic and trade issues. End summary.

¶2. (U) Visiting NEA/MAG Director Stephanie Williams, accompanied by A/DCM and Econoff, met with Under Secretary for Economy, Trade and Investment Taher Sarkaz on November 6. Sarkaz stressed the importance to the GOL of U.S.-Libya cooperation in the areas of economy and trade. Citing various studies the General People's Committee (ministry-equivalent) for Economy and Trade had undertaken with assistance from the World Bank and private consulting firms, he said the GOL is keenly focused on facilitating greater trade and developing Libya as a more attractive destination for foreign direct investment (FDI). Those efforts were informed by a desire to diversify to the extent possible Libya's economy, which was largely dependent on oil and gas.

¶3. (SBU) Sarkaz said the ministry had focused in the last several years on easing rules governing the establishment of new companies, a subject in which he was personally interested. Of particular concern were efforts to expedite the entry of new foreign investors into the market, including introduction of new laws that would allow foreigners to own 100 per cent of their investment projects in Libya. (Note: Investors are currently required by law to have a Libyan partner; the percentage of the joint venture that must be Libyan-owned varies by sector. End note.) He noted that the ministry had facilitated the issuance of a law that allows Libyan nationals to invest their own capital in Libya and offers them incentives on par with those offered to foreign investors. (Note: In a hangover from Libya's more revolutionary period, there were until recently tight strictures on the types of economic activities, particularly those related to investment, that Libyan citizens could undertake. End note.) Noting that the ministry was heavily involved in privatization efforts, Sarkaz said the General

People's Committees were under instructions to help shift the focus in Libya's economy from the public to the private sector. (Note: In a separate meeting, the Secretary of the GPC for Manpower, Employment and Training recently told us that the GOL was working to reduce the number of public sector employees from one million to 130,000 in the next 3-5 years. End note.)

¶4. (U) Pointing to the Misurata Free Trade Zone (located east of Tripoli), Sarkaz also discussed efforts to create a law governing free trade zones to help promote Libya as a transit hub between Europe and Africa. Efforts are underway to establish a parallel free trade zone west of Tripoli in the Zwara-Abu-Kammash area, a project headed by Saadi al-Qadhafi, a son of Muammar al-Qadhafi. That project is particularly important since a large percentage of Libya's trade flows across its western border with Tunisia. In addition, Libya was working to develop its port and transport infrastructure to enable it to better capitalize on its long coastline and proximity to south-central Europe.

¶5. (SBU) Addressing Libya's needs for technical assistance, Sarkaz said there is a great need for Libyan economic experts to visit the U.S. and learn from their American counterparts, particularly with respect to helping grow the small and medium-enterprise sector. Sarkaz also expressed interest in any help the U.S. could provide in helping make the GOL more efficient and eliminate the waste of public funds. He acknowledged that Libya needed to modernize its customs authority, ports authority, tax system and banking system to underpin other reforms the GOL is pursuing. He asked for U.S. assistance in introducing a computerized database to collect and analyze economic data, with the goal of providing up-to-date

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statistics to decision-makers and planning advisors.

¶6. (SBU) Sarkaz noted that negotiations for a U.S.-Libya Trade and Investment Framework Agreement (TIFA) were underway, and that it was expected to be finalized soon. Williams welcomed the news and underscored U.S. interest in further economic cooperation.
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